



# OLAM



The Brand Behind The Brands

# Olam International Limited

## First Quarter FY2007 Results Briefing

14<sup>th</sup> November 2006

Singapore





*This presentation should be read in conjunction with Olam International Limited's First Quarter, FY2007 (Q1 FY2007) Financial Results for the period ended 30<sup>th</sup> September 2006 statement lodged on SGXNET on 14<sup>th</sup> November 2006.*





## Cautionary note on forward-looking statements

*This presentation may contain statements regarding the business of Olam International Limited and its subsidiaries ('Group') that are of a forward looking nature and are therefore based on management's assumptions about future developments.*

*Such forward looking statements are intended to be identified by words such as 'believe', 'estimate', 'intend', 'may', 'will', 'expect', and 'project' and similar expressions as they relate to the Group. Forward-looking statements involve certain risks and uncertainties because they relate to future events. Actual results may vary materially from those targeted, expected or projected due to several factors.*

*Potential risks and uncertainties includes such factors as general economic conditions, foreign exchange fluctuations, interest rate changes, commodity price fluctuations and regulatory developments. Such factors that may affect Olam's future financial results are detailed in our listing prospectus, listed in this presentation, or discussed in today's press release and in the management discussion and analysis section of the company's First Quarter FY2007 results report and filings with SGX. The reader and/or listener is cautioned to not unduly rely on these forward-looking statements. We do not undertake any duty to publish any update or revision of any forward looking statements.*



# Results Presentation: Outline

- ❖ Market Review & Analysis
- ❖ Results: Q1 FY2007 - Consolidated P&L Analysis
- ❖ Results: Q1 FY2007 - Segmental Analysis
- ❖ Results: Q1 FY2007 - Balance Sheet Analysis
- ❖ M&A Update
- ❖ Shareholding Structure
- ❖ Outlook & prospects
- ❖ Q&A



## Commodity Index & Olam basket:

	1 <sup>st</sup> Jul 2006	30 <sup>th</sup> Sept 2006	Return
Goldman Sachs Agricultural Index (GSCI)	590.42	554.41	(6.10%)
CRB Index	337.07	344.71	2.27%
<b>Olam Basket (volume weighted)</b>			<b>1.32%</b>
<i>Olam Basket:</i>			
Rice	312.00	308.00	(1.28%)
Sugar	461.40	351.00	(23.93%)
Cocoa	959.00	863.00	(10.01%)
Coffee	1,258.00	1,538.00	22.26%
Cotton	51.95	50.45	(2.89%)
Cashew Kernel	2.05	2.05	(0.00%)
Sesame	738.50	725.00	(1.83%)
Timber	570.00	610.00	7.02%
Pepper	1,370.00	2,800.00	104.83%
Pulses	507.00	727.00	43.39%
Peanuts	830.00	740.00	(10.84%)
Milk Powder	2,250.00	2,350.00	4.44%
<b>Olam Basket Weighted Average</b>			<b>1.32%</b>

Results:  
Q1 FY2007  
Consolidated P&L Analysis





# Consolidated P&L Analysis: Q1 FY2007

 **Sales Volume: 0.673 million metric tons**

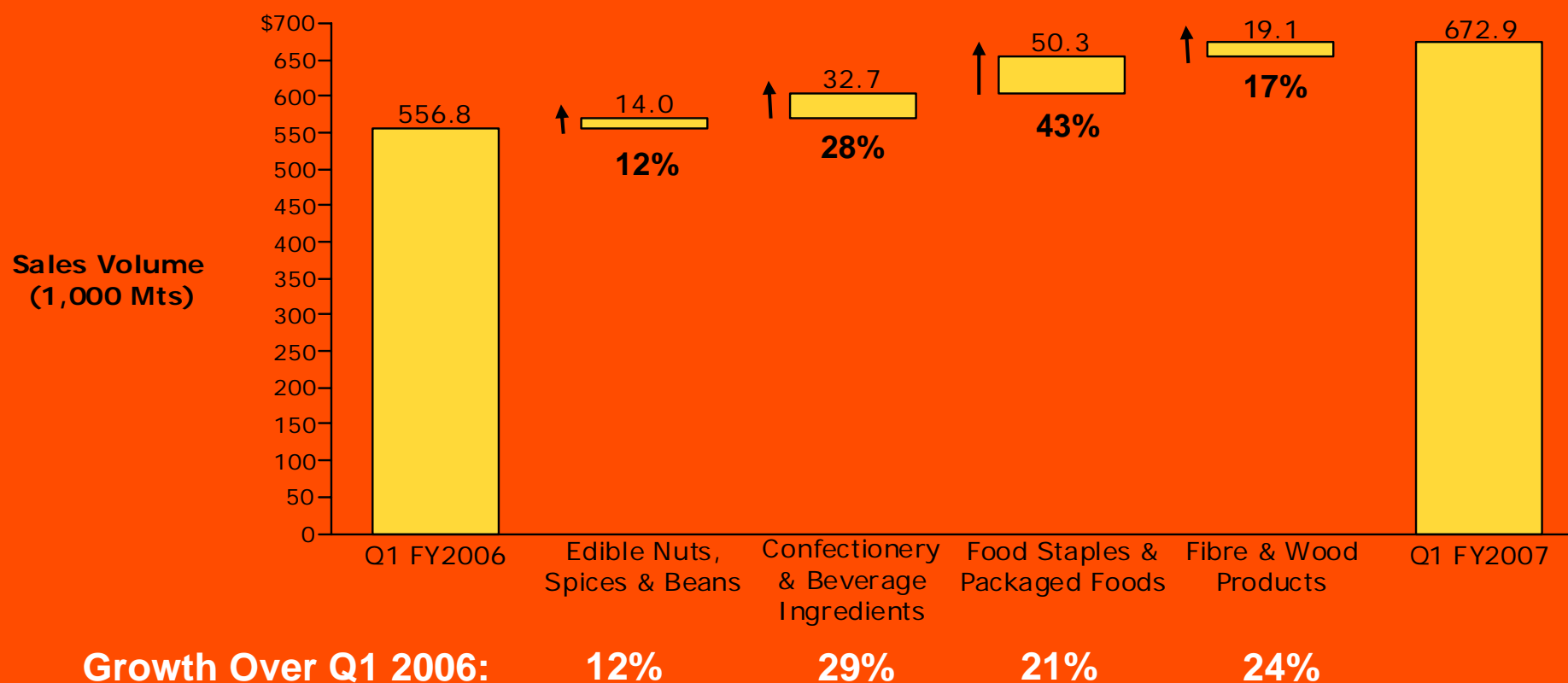
- 20.8% growth over Q1 FY2006
- Volume growth across all 4 segments





# Sales Volume Growth: Segmental Contribution

Sales Volume growth 20.8%, 116,066 mts



# Consolidated P&L analysis: Q1 FY2007

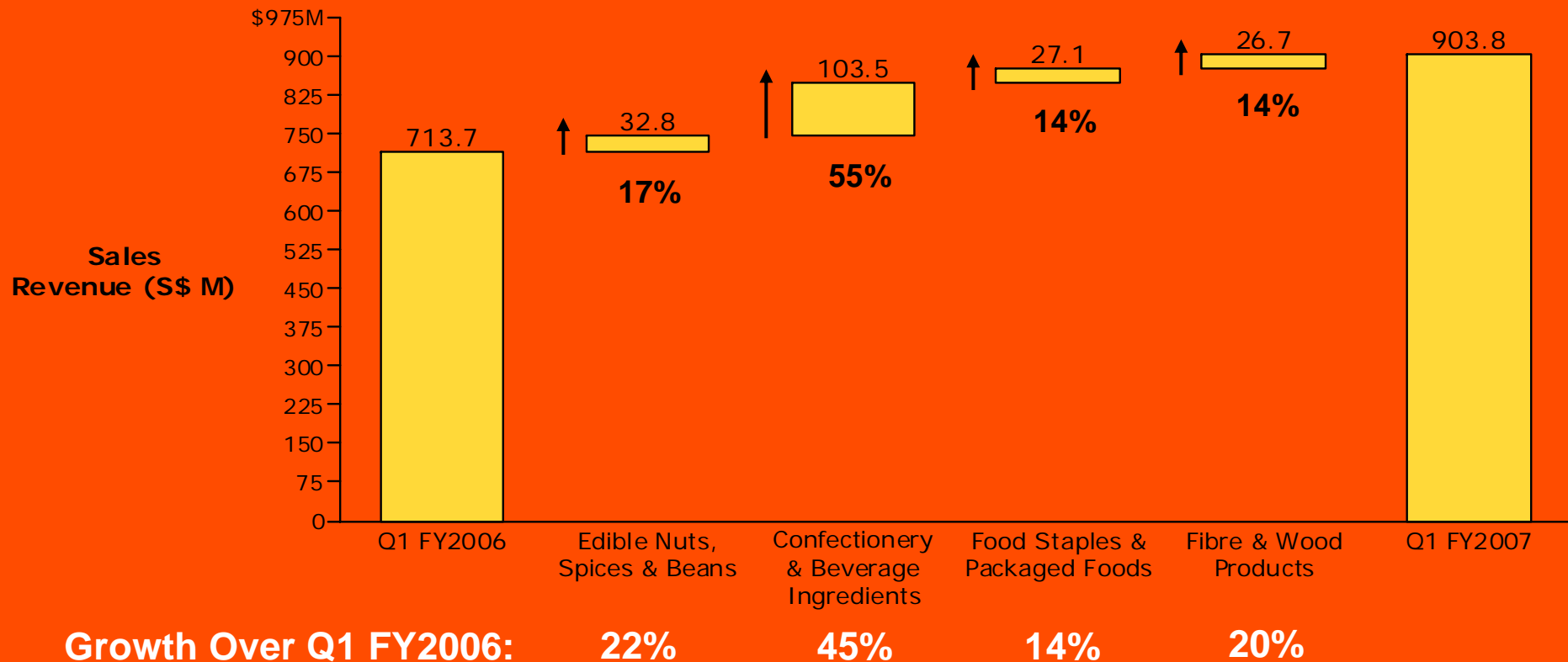
❖ **Total Revenue: S\$903.8 million**

- 26.6% growth over Q1 FY2006
- Revenue growth across all 4 segments



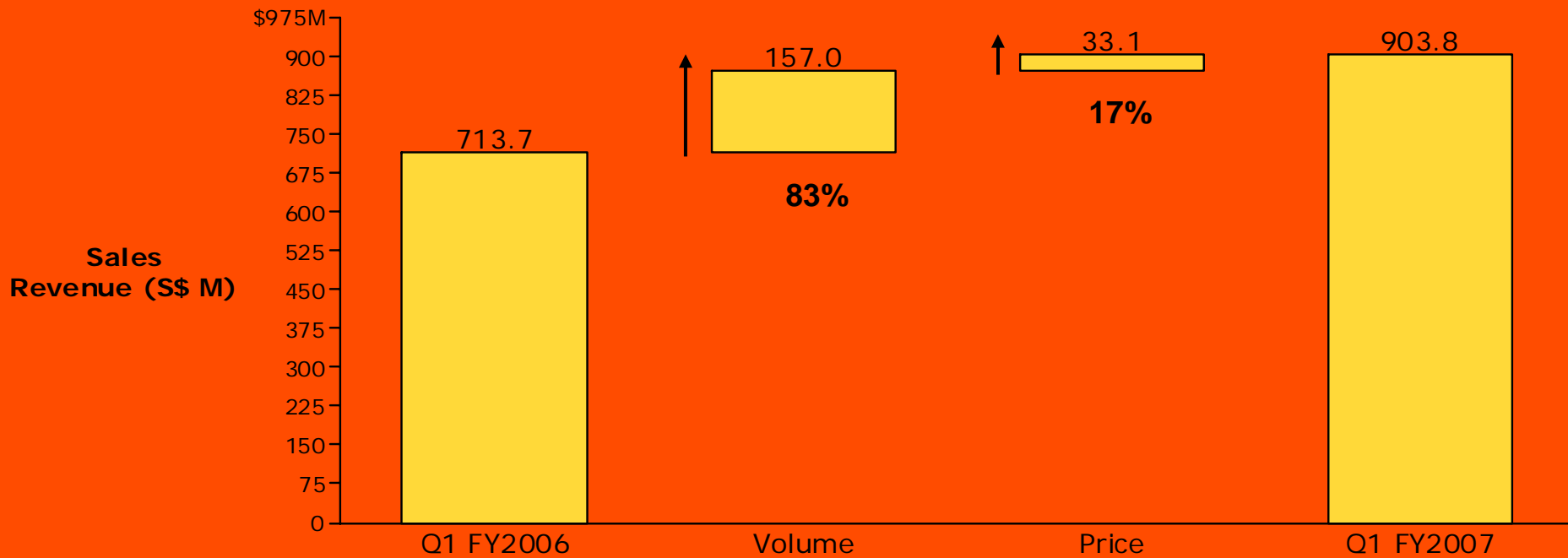
# Sales Revenue Growth: Segmental Contribution

Sales growth 26.6%, S\$190.1 million



# Sales Revenue Growth: Sources

Sales growth 26.6%, S\$190.1 million





# Consolidated P&L Analysis: Q1 FY2007

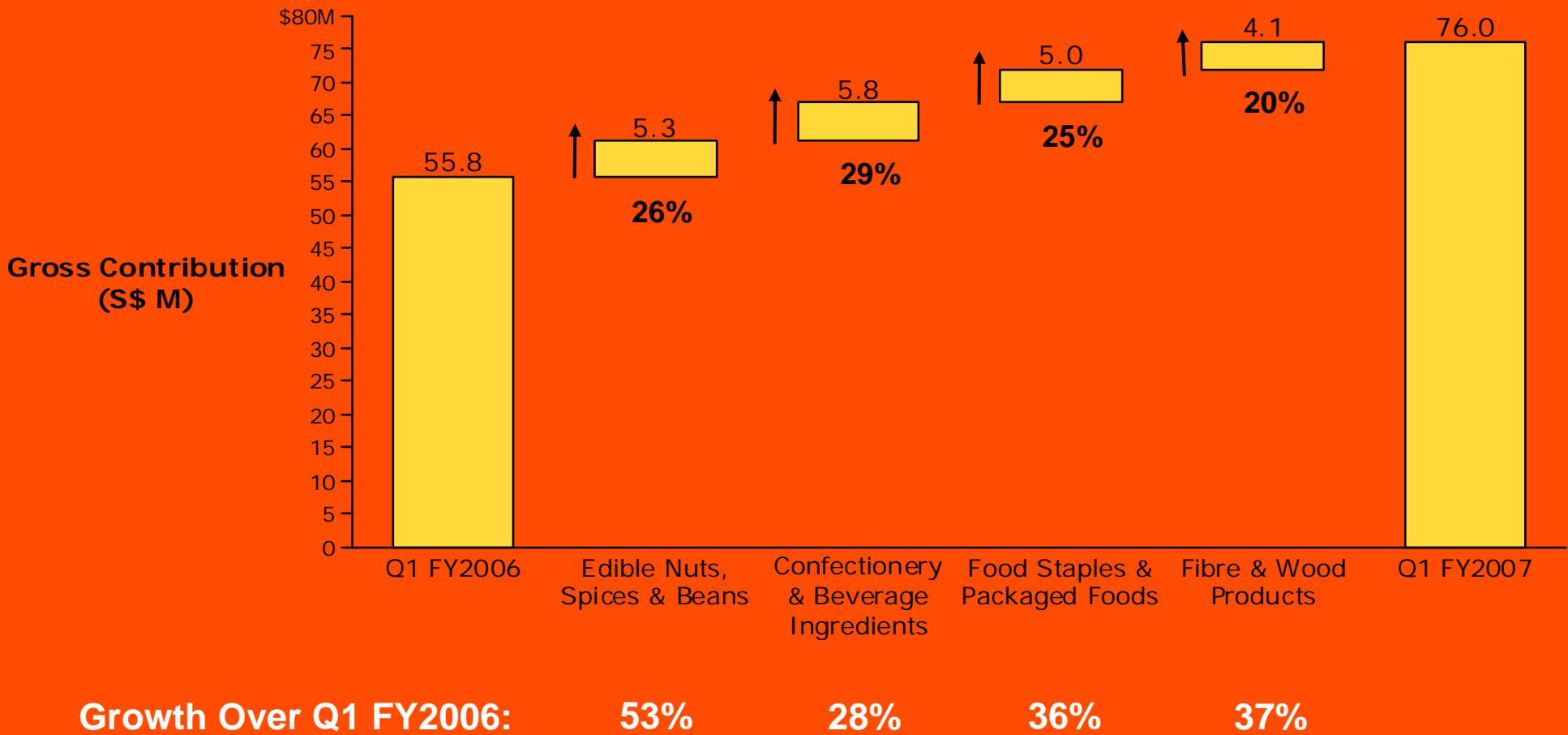
❖ **Gross Contribution (GC) : S\$76.0 million**

- 36.3% growth over Q1 FY2006
- GC growth across all segments



# Gross Contribution Growth: Segmental Share

GC growth 36.3%, S\$20.2 million



# Interest Costs

❖ Total increase in interest costs S\$7.780 million or 42.7%.

	Q1 FY2007 (S\$'000)	Q1 FY2006 (S\$'000)	Increase (S\$'000)	% Increase
Interest Expenses	26,004	18,224	7,780	42.7%
Sales	903,764	713,719	190,045	26.6%
Interest Rate	7.01%	5.02%	1.99%	39.5%
Interest variance due to interest rate increase			(S\$'000)	7,361
Interest variance due to working capital increase			(S\$'000)	419
Total Net Increase in Interest			(S\$'000)	7,780

# Consolidated P&L Analysis: Q1 FY2007

✦ **Net Contribution (NC) : S\$50.0 million**

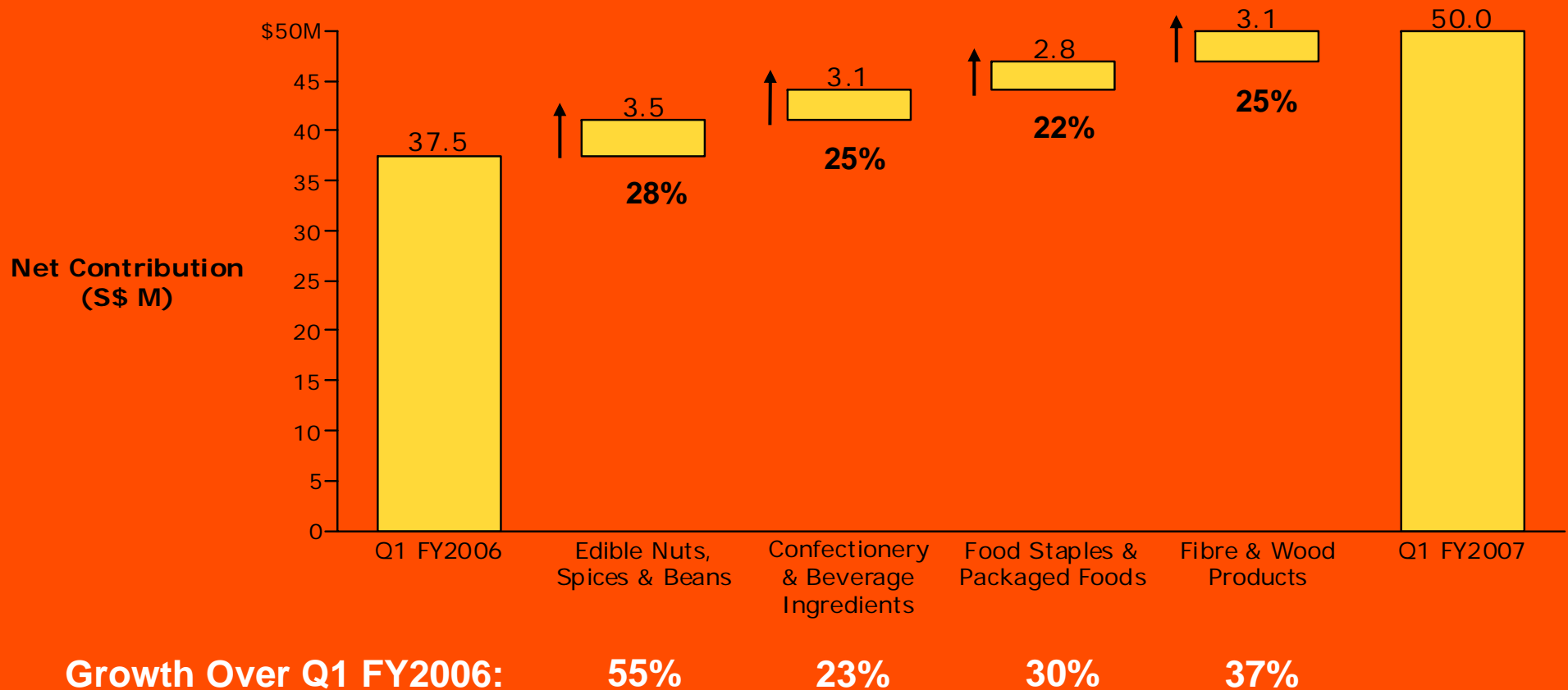
- 33.1% growth over Q1 FY2006
- NC growth across all segments





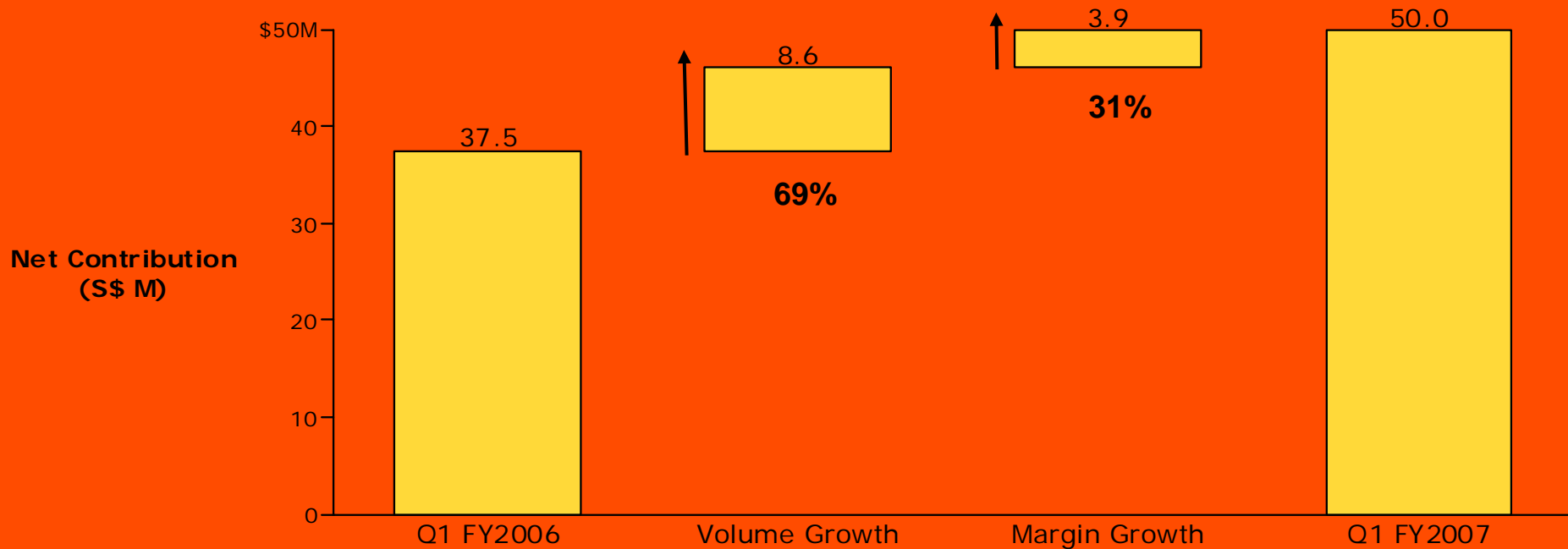
# Net Contribution Growth: Segmental Share

NC growth 33.1%, S\$12.5 million



# Net Contribution Growth: Sources

NC growth 33.1%, S\$12.5 million



## Impact of FRS 102

- ❖ The following two employee Share Schemes come under the ambit of FRS 102:
  - Employee Share Subscription Scheme (ESSS)
  - Employee Share Options Scheme (ESOS)
- ❖ The impact of FRS 102 on the Financial Statements is as follows:

	Prior Period S\$'000	3-Mth FY2007 S\$'000	Carried Forward S\$'000	Total S\$'000
ESSS	1,913	168	376	2,457
ESOS	921	1,355	8,529	10,805
<b>Total</b>	<b>2,834</b>	<b>1,523</b>	<b>8,905</b>	<b>13,262</b>

# Consolidated P&L Analysis: Q1 FY2007

- ❖ **SG&A** increased by 35.4% to S\$40.9 million in Q1 FY2007.

	Q1 FY2007	Q1 FY2006	Change
<b>SG&amp;A (S\$ million)</b>	<b>40.9</b>	<b>30.3</b>	<b>35.4%</b>
<b>SG&amp;A / Sales ratio</b>	<b>4.53</b>	<b>4.24</b>	<b>(0.29%)</b>



# Consolidated P&L Analysis: Q1 FY2007

## ❖ **Net Profit After Tax (NPAT): S\$8.1 million**

- 23.8% growth over Q1 FY2006

## ❖ **Earnings per Share (EPS)**

- 23.8% growth over Q1 FY2006
- 0.52 cent/share Q1 FY2007 vs 0.42 cent/share Q1 FY2006 (based on weighted average no. of shares)



# Results: Q1 FY2007

## Segmental Analysis



# Segmental Analysis Q1 FY2007: Summary

## Olam Consolidated

- Turnover **S\$903.8 million**
- Volume **0.673 mmts**
- NC **S\$50.0 m**
- NPAT **S\$8.09 m**

### Edible Nuts, Spices & Beans

- Turnover **\$184.5 m**
- Volume **0.135mmts**
- NC **\$9.7 m**

• NC Share **19.5%**



### Confectionery & Beverage Ingredients

- Turnover **\$334.8 m**
- Volume **0.146mmts**
- NC **\$16.9 m**

• NC Share **33.8%**



### Food Staples & Packaged Foods

- Turnover **\$223.7 m**
- Volume **0.293mmts**
- NC **\$12.1 m**

• NC Share **24.2%**



### Fibre & Wood Products

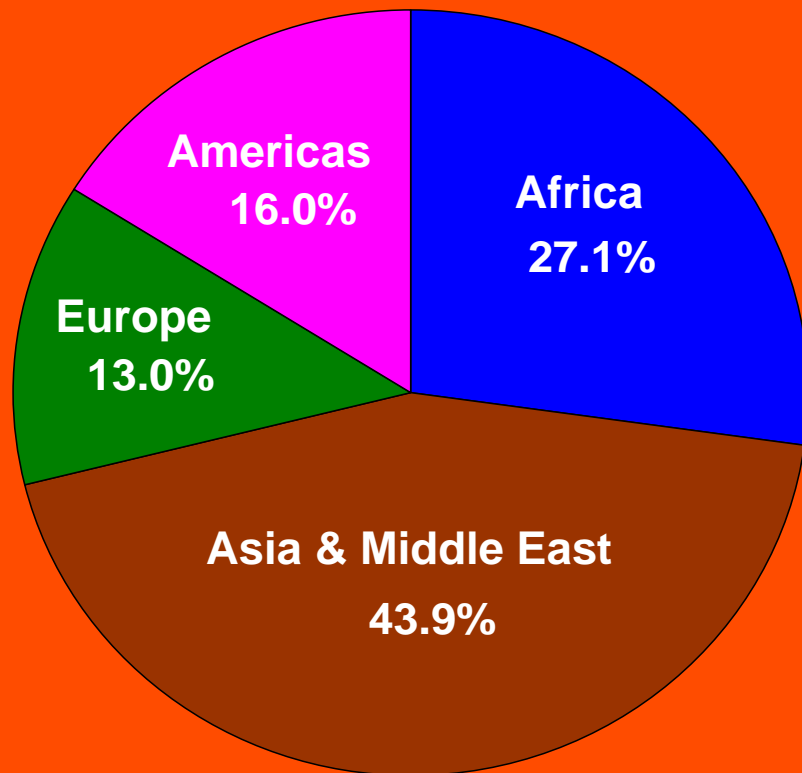
- Turnover **\$160.8 m**
- Volume **0.099mmt**
- NC **\$11.3 m**

• NC Share **22.5%**

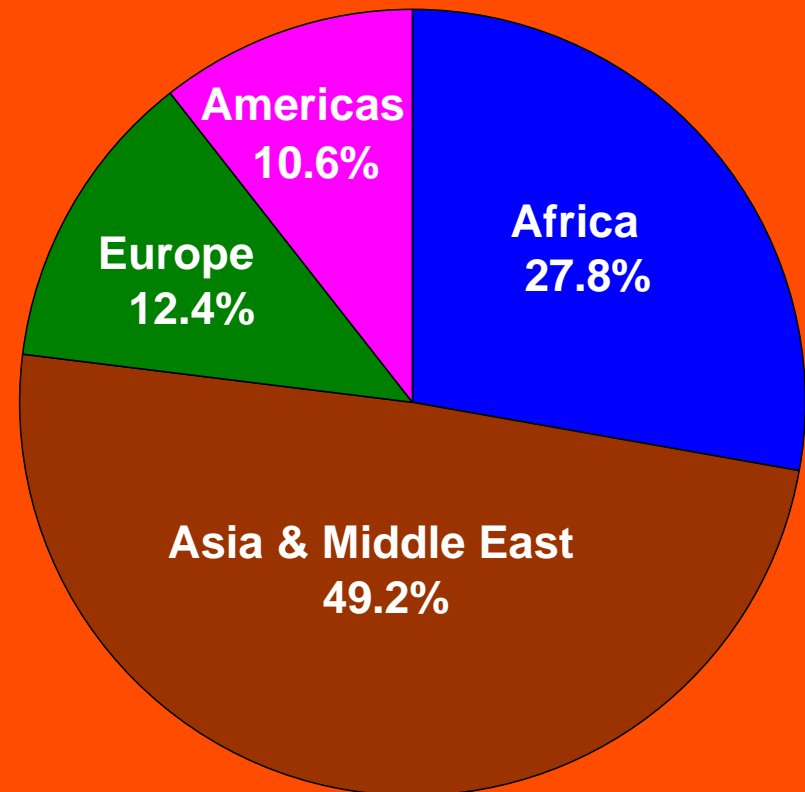


# Well Diversified Sourcing: Origins

**Sourcing Volume Q1 FY2007**



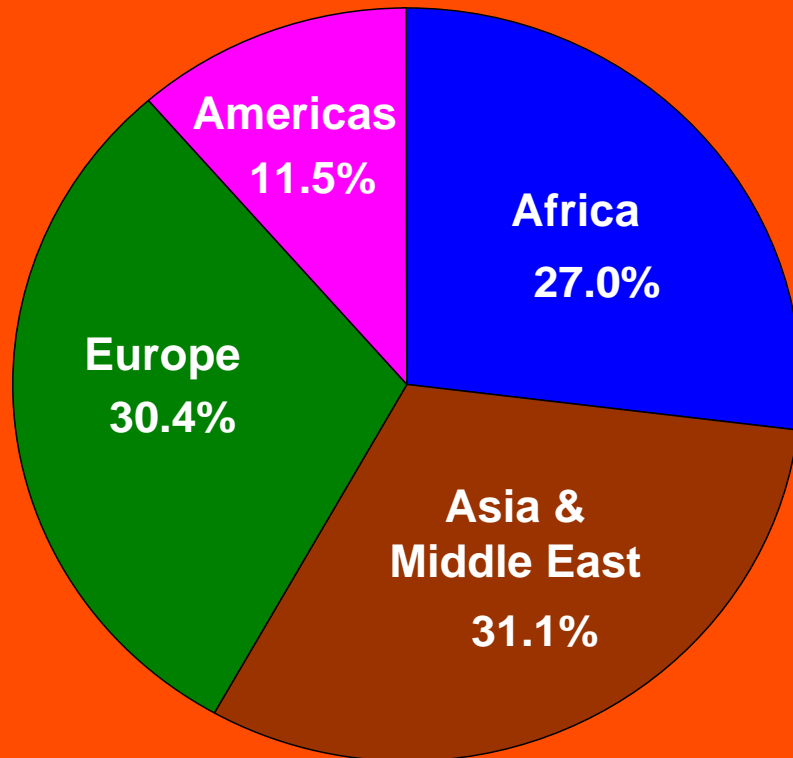
**Sourcing Volume Q1 FY2006**



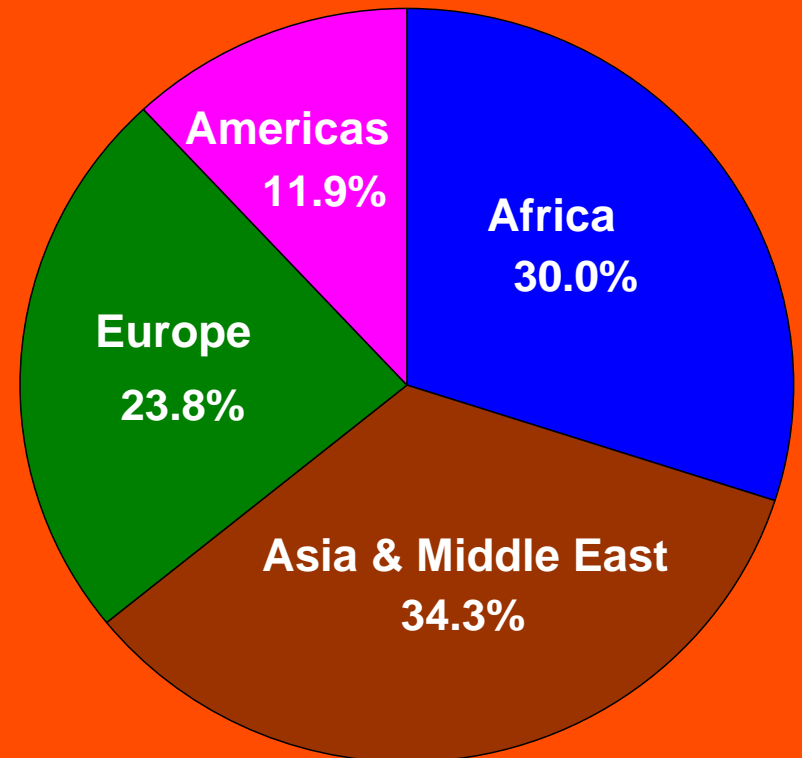


# Well Diversified Sales: Markets

**Sales Turnover Q1 FY2007**



**Sales Turnover Q1 FY2006**



## Well diversified: **Customers**

Segment	Top 5 Customer Share of Total Sales
Edible Nuts, Spices & Beans	3.0%
Confectionery & Beverage Ingredients	11.7%
Food Staples & Packaged Foods	2.9%
Fibre & Wood Products	2.0%

❖ No customer accounts for more than 5% of our sales.

## Segmental Analysis: Edible Nuts, Spices & Beans

Description	Q1 FY2007		Q1 FY2006		% Change
	Amount	S\$/Ton	Amount	S\$/Ton	
Volume (metric tons)	134,640		120,607		↑ 11.6%
Revenue (S\$'000)	184,448	1,370	151,679	1,258	↑ 21.6%
Net Contribution (S\$'000)	9,747	72	6,270	52	↑ 55.5%



## Segmental Analysis: Confectionery & Beverage Ingredients

Description	Q1 FY2007		Q1 FY2006		% Change
	Amount	S\$/Ton	Amount	S\$/Ton	
Volume (metric tons)	146,374		113,662		↑ 28.8%
Revenue (S\$'000)	334,842	2,288	231,291	2,035	↑ 44.8%
Net Contribution (S\$'000)	16,894	115	13,750	121	↑ 22.9%



# Segmental Analysis: Food Staples & Packaged Foods

Description	Q1 FY2007		Q1 FY2006		% Change
	Amount	S\$/Ton	Amount	S\$/Ton	
Volume (metric tons)	292,869		242,609		↑ 20.7%
Revenue (S\$'000)	223,686	764	196,619	810	↑ 13.8%
Net Contribution (S\$'000)	12,073	41	9,320	38	↑ 29.5%



# Segmental Analysis: Fibre & Wood products

Description	Q1 FY2007		Q1 FY2006		% Change
	Amount	S\$/Ton	Amount	S\$/Ton	
Volume	98,978		79,917		↑ 23.9%
Turnover	160,788	1,624	134,130	1,678	↑ 19.9%
Net Contribution	11,254	114	8,191	102	↑ 37.4%





Results: Q1 FY2007  
Balance Sheet Analysis



# Balance Sheet Analysis: Summary

(Figures in S\$'000)	30 Sep 2006	30 Jun 2006	% Change
Fixed Assets & Investments	83,532	79,190	5.5%
<b>Current Assets</b>			
Debtors	383,638	426,778	(10.1)%
Stocks	987,198	1,013,904	(2.6)%
Cash & Cash Equivalents	258,162	296,241	(12.9)%
Advances to Suppliers	239,789	160,669	49.2%
Fair Value of Derivatives	197,459	199,614	(1.1)%
Margin Account Balances	147,717	43,147	242.4%
Other Current Assets	168,173	138,622	21.3%
<b>Total Assets</b>	<b>2,465,667</b>	<b>2,358,165</b>	<b>4.6%</b>
Trade Creditors	163,956	134,874	21.6%
Borrowings	1,491,781	1,476,831	1.0%
Fair Value of Derivatives	259,918	213,458	21.8%
Other Liabilities	57,146	44,963	27.1%
<b>Net Assets</b>	<b>492,866</b>	<b>488,039</b>	<b>1.0%</b>
Minority Interest	29	53	(45.0)%
Equity & Reserves	492,837	487,986	1.0%

## Balance Sheet Analysis: Ratios

	30 Sep 2006	30 Jun 2006	Change
<b>Current Asset Ratios</b>			
Debtors (days)	39	36	(3)
Stock (days)	109	92	(17)
Advance to Suppliers (days)	26	15	(11)
Trade Creditors (days)	18	12	6
Current Ratio (x)	2.04	1.49	

## Balance Sheet Analysis: Debtors

- 62.6% of Debtors secured by Letter of Credit / Docs of Title.
- Debtor quality good. No additional provisions created over June 2006





# Balance Sheet Analysis: Stock

(in S\$ Millions)	Sep 2006	Jun 2006	Increase/ Decrease
Edible Nuts, Spices & Beans	141.2	151.1	(9.9)
Confectionery & Beverage Ingredients	542.2	509.1	33.1
Food Staples & Packaged Foods	227.9	277.7	(49.8)
Fibre & Wood Products	75.9	76.0	(0.1)
<b>Total</b>	<b>987.2</b>	<b>1,013.9</b>	<b>(26.7)</b>

- 86.1% of stocks sold forward or hedged



# Balance Sheet Analysis: **Fixed Assets**

## **Fixed assets**

- Investment in fixed assets amounted to S\$8.2 million in Q1 FY2007 as compared to S\$5.7 million in Q1 FY2006. The investments were mainly in packaging plants in Russia and Nigeria as well as in warehousing and logistics related areas in other origins.



## Balance Sheet Analysis: **Cash & Borrowings**

- ❖ **Cash and Fixed Deposits** decreased by 12.9% to S\$258.2 million
- ❖ **Borrowings:**
  - ❖ Only 44.0% of our total credit facilities were used as of 30<sup>th</sup> Sept.

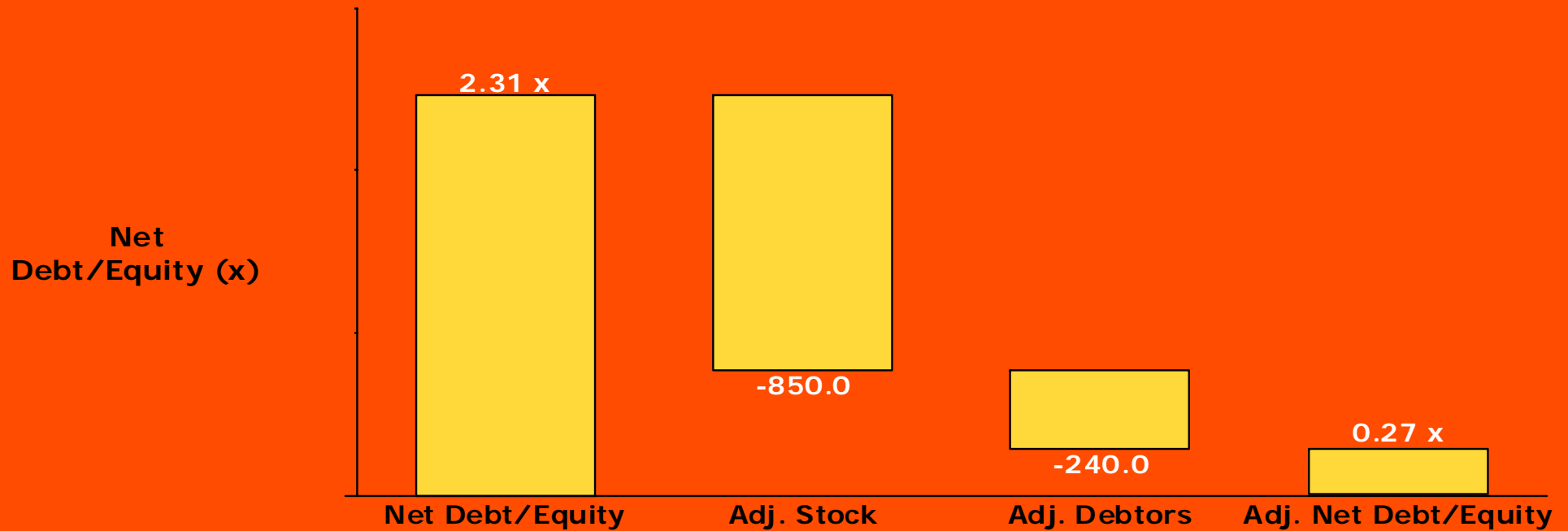
(in S\$ million)	30 Sep 2006	% Share
Short Term Banking Facilities	1,717.6	50.6%
Committed Banking Facilities	554.0	16.3%
MTN	646.6	19.1%
Long Term Loan	474.9	14.0%
<b>Total</b>	<b>3,393.1</b>	<b>100.0%</b>

# Balance Sheet Analysis: Gearing

	30 Sep 2006		30 June 2006		Change
	Before Fair Value Adj. Reserve	After Fair Value Adj. Reserve	Before Fair Value Adj. Reserve	After Fair Value Adj. Reserve	Vis-à-vis before Fair Value Adj. Reserve
<b>Leverage (x)</b>					
<b>Gross Debt to Equity (x)</b>	2.79	3.03	2.79	3.03	0.0
<b>Net Debt to Equity (x)</b>	2.31	2.50	2.23	2.42	(0.08)
<b>Interest Coverage (x)</b>	1.35		2.29		(0.94)
<b>Liquidity</b>					
<b>Cash to Sales (%)</b>	7.14		6.79		0.35
<b>Cash &amp; Cash Equivalents</b>	258.2 m		296.2 m		(38.0 m)

# Balance Sheet: Analysis of Gearing

Adjusting: hedged, liquid inventory



## Impact of FRS 39

- ❖ Impact on P&L is reduction in profits of S\$1.1 million.
- ❖ Reduction in equity as of 30 September 2006 is S\$41.2 million.
- ❖ FRS 39 allows for hedge accounting to be applied when strict effectiveness criteria are met.
- ❖ We have assessed the effectiveness of our hedging instruments and have concluded that the majority of the derivatives qualifies for hedge accounting. Hence, adjustment due to adoption of FRS 39 has mainly flown to equity.
- ❖ We do not expect any adverse impact of these measurements to the results of the Company.

## M&A Update:

- ❖ We have completed 3 asset acquisitions during the quarter.
  1. Taloca's coffee processing facility in Colombia
  2. Senwes's Peanut processing facility in South Africa
  3. JV with ADM to acquire cocoa processing & logistics assets in Cameroon from Groupe Bollore
- ❖ We continue to make good progress in evaluating various acquisition transactions



# Shareholding Structure & Governance





# Shareholding Structure

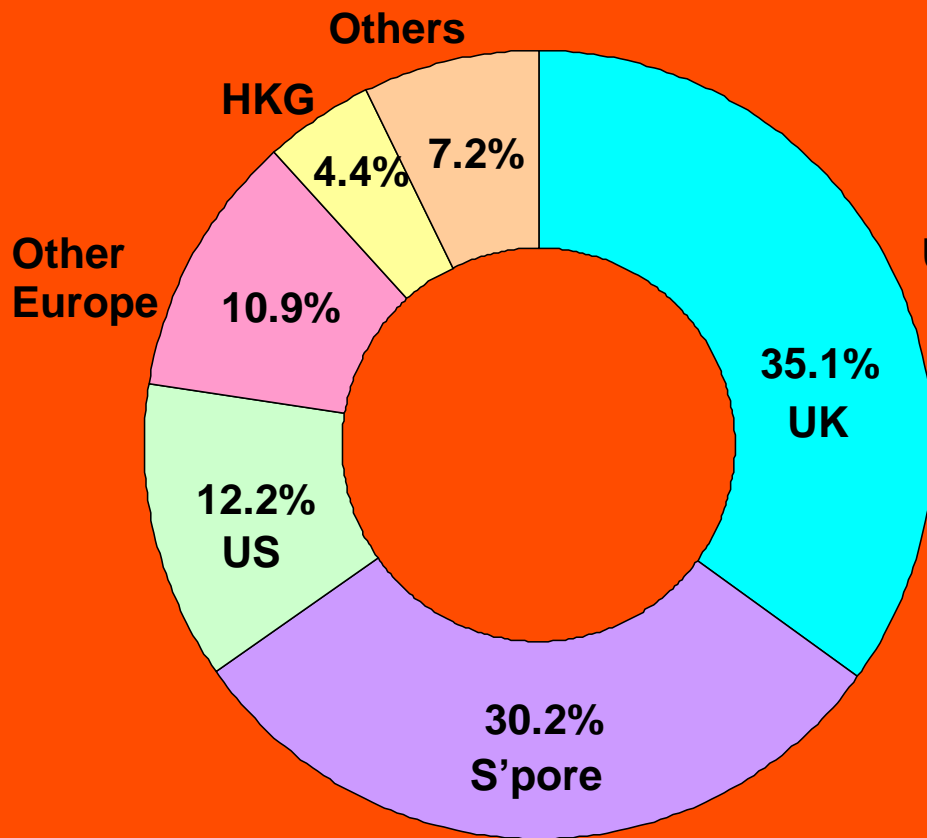
❖ Our shareholding structure today is as follows:

Shareholder	Shares Held	%
Kewalram Chanrai Group (KSL)	513,134,877	33.0
Olam Management	268,150,558	17.2
AIF	119,274,471	7.7
International Finance Corporation (IFC)	77,579,378	5.0
Public	576,445,116	37.1
<b>Total</b>	<b>1,554,584,400</b>	<b>100.00</b>

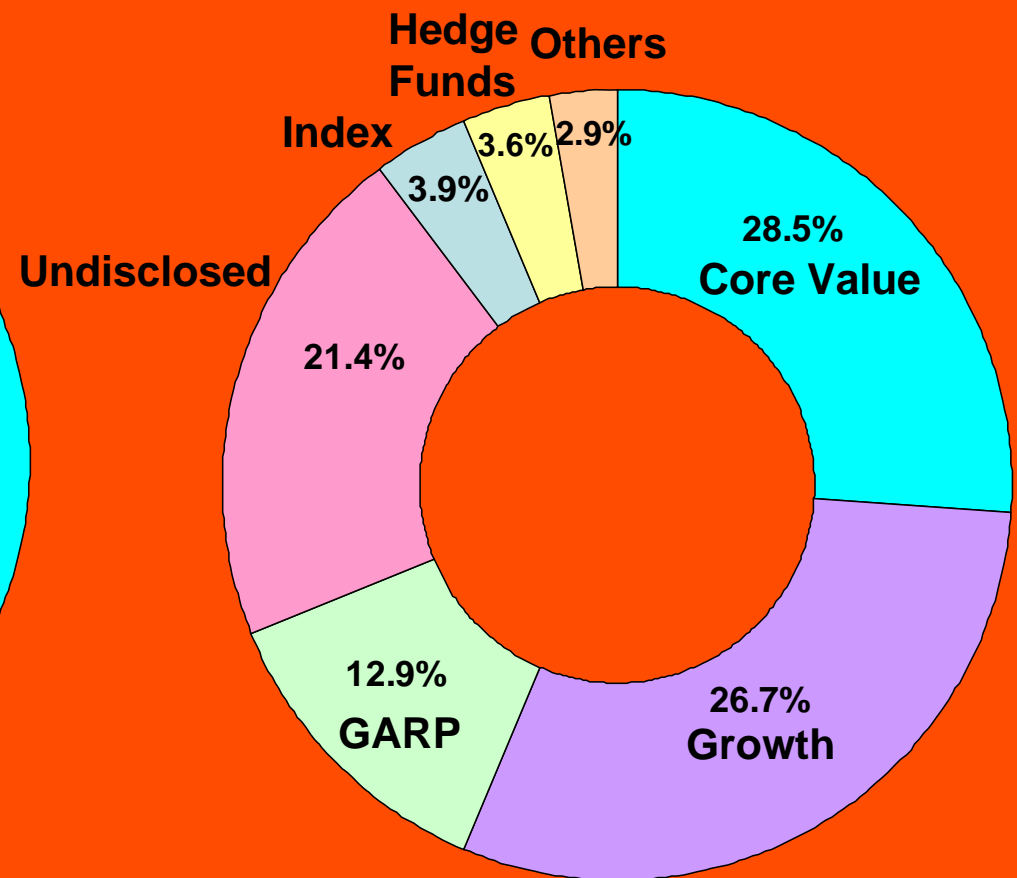
❖ A total of 186 institutional shareholders across 22 countries identified as of end September 2006 (Source: Thomson Financial)

# Distribution of Public Institutional Shareholders

## By Geography



## By Investment Style



## Top 20 Public Institutional Shareholders (By Alphabetical Order)

1.	Abu Dhabi Investment Co.	11.	Lion Capital Management
2.	AIG Global Investment	12.	Newton Asset Management
3.	Arisaig Partners	13.	NTUC Income Insurance
4.	Barclays Group	14.	Old Mutual
5.	Capital Group	15.	Penta Investment
6.	Citigroup	16.	Prudential Asset Management
7.	Credit Suisse Group	17.	State Street Global Advisors
8.	DnB NOR Asset Mgmt	18.	Sumitomo Trust & Banking
9.	F&C Asset Management	19.	T. Rowe Price
10.	JP Morgan Chase & Co	20.	UBS Group

# Outlook & Prospects



## Outlook & Prospects:

- ❖ Barring any unforeseen circumstances, we continue to be positive on the overall business outlook and the Company's prospects as we head into the 2<sup>nd</sup> quarter of FY2007 and beyond.
- ❖ The various initiatives that we are executing on to broaden and deepen our business franchise should continue to yield results in the form of both increased volumes and enhanced margins.
- ❖ Please refer to the description of the seasonality of our business under the section "Background to analysing our Financial Statements" in our Q1 FY2007 SGXNET filing in this regard.



# Key Investment Merits

- ❖ Attractive sector, growing food demand, deregulating markets
- ❖ Strong financial track record
- ❖ Proven growth model (non dilutive growth, next 2-3 years)
- ❖ Unique competitive position
- ❖ Well-diversified across businesses, geographies & customers
- ❖ Risk management is a core competence
- ❖ High governance standards & world class investors
- ❖ Strong Management
- ❖ Strong prospects & high growth potential





Thank You

